Canadian Equity & Development Company Limited

ANNUAL REPORT 1969

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

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DIRECTORS	J. H. Daniels A. E. Diamond B. I. Ghert E. L. Kolber A. C. McClaskey D. W. Naylor G. J. Shear N. R. Wood
OFFICERS	E. L. Kolber, *Chairman of the Board* A. E. Diamond, *President* G. J. Shear, *Executive Vice-President — General Manager* J. Berman, *Vice-President* N. R. Wood, *Vice-President* R. C. Thornton, *Secretary-Treasurer*
TRANSFER AGENTS AND REGISTRARS	National Trust Company, Limited *Toronto, Montreal, Winnipeg, Calgary and Vancouver* Montreal Trust Company *Halifax*
AUDITORS	Touche Ross & Co. *Toronto*
HEAD OFFICE	2171 Avenue Road *Toronto*
LISTED	Toronto Stock Exchange

INCOME PRODUCING PROPERTIES

	SQUARE FOOTAGE		
	Owned by Company	Owned by Others*	Total
Don Mills Developments Limited			
① Don Mills Shopping Centre — Toronto	366,000	91,000	457,000
② York Mills Shopping Centre — Toronto	25,000	17,500	42,500
③ Parkwoods Village Shopping Centre — Toronto	24,000	19,000	43,000
④ The Towne — Toronto**	37,500	Nil	37,500
Greater Hamilton Shopping Centre Limited* **			
⑤ Greater Hamilton Shopping Centre — Hamilton	275,000	350,000	625,000
Aldon Developments Limited* **			
⑥ Brampton Shopping Centre — Brampton	21,000	Nil	21,000
⑦ Victoria Park Mall — Toronto	28,000	Nil	28,000
	776,500	477,500	1,254,000

*Although these buildings are owned by the tenants, the lands upon which these buildings are situated are owned by the companies and leased to their tenants under long-term leases.

**This development also includes 185 apartment and town house units, as well as 33,000 square feet of offices in addition to the retail sales area indicated.

***The Company has a 50% share interest in these companies. The square footage indicated above represents 100% of these companies' developments.

In addition to the above commercial and residential developments, all of the above companies own or have an interest in lands which are leased under long-term leases to several tenants.

FINANCIAL HIGHLIGHTS

	Oct 31 1969	1968
Total assets	$ 38,348,360	$ 34,266,390
Income from operations (before income taxes)	$ 2,265,981	$ 2,617,940
Net income	$ 1,039,981	$ 1,189,240
Net income per share before deferred taxes*	36.1¢	32.1¢
Net income per share after deferred taxes*	21.7¢	24.8¢
Gross rental income	$ 2,576,538	$ 2,494,868
Net rental income	$ 1,158,534	$ 1,070,825
Net income from sales of land	$ 1,039,640	$ 1,449,218
Shareholders' equity	$ 18,214,847	$17,741,250

*Based on 4,796,850 shares outstanding

PRESIDENT'S REPORT TO SHAREHOLDERS

During the past year, the main efforts of the Company were directed toward Erin Mills, the 7,000-acre development of the Company's wholly-owned subsidiary, Don Mills Developments Limited. In this regard a number of major events have taken place which I would like to summarize for you.

On April 25th, 1969, a proposal for the land use planning was presented to representatives of the Province of Ontario, the Towns of Mississauga, Streetsville, and Oakville, together with a number of other agencies which may have an interest in our development. Following this presentation, discussions took place between representatives of the Company and its consultants with a number of agencies primarily in the Town of Mississauga, but also in other important areas. We are very happy to announce that, on February 9th last, the Town of Mississauga has by By-law approved the necessary amendments to the Official Plan of the Town of Mississauga which gives effect to basic land use for the West Credit Area within the Town. All of the Erin Mills Lands lie within the West Credit Area. Approximately 2/3 of these lands are within Mississauga, and are the first lands to be developed. The Official Plan Amendment now requires the approval of the Minister of Municipal Affairs for the Province of Ontario in accordance with the Planning Act.

During the past year, the Company increased its land holdings within the Erin Mills development plan by approximately 15%. The major acquisitions were decided on because their locations were within the path of services and their prices were deemed favourable. A number of smaller acquisitions were made to consolidate and round out our holdings.

Mr. Gerald J. Shear, C.A., a director, was appointed Executive Vice-President and General Manager of the Company, and its wholly-owned subsidiary. In addition to his overall corporate responsibility for the companies, Mr. Shear will be called upon to implement the proposed development of the Erin Mills lands. He has been associated with the development industry since 1960 through Cadillac

Development Corporation Limited, of which company he is also a Director and Executive Vice-President.

Mr. Allen E. Facey was appointed Manager—Land Development for Don Mills Developments Limited, responsible for the implementation of the physical development of Erin Mills lands. Mr. Facey has been connected with construction and development since 1940.

Mr. Clifford H. Stephens was appointed Manager — Industrial Sales for Don Mills Developments Limited, responsible for the marketing of the industrial land for Erin Mills. Mr. Stephens has some 20 years' experience in the industrial and commercial real estate field.

Management is quite satisfied with the progress to date in connection with Erin Mills, as evidenced by our growth in senior management staff. It is, however, very difficult to pinpoint precisely the exact time when construction of services and sales of land will commence. Nevertheless, management's view of the timing is based on land being ready for servicing in a matter of months rather than years and you will be kept informed as progress is made.

Turning now to the results from operations during the year, net income of $1,039,981 or 21.7¢ per share, compared with $1,189,240 or 24.8¢ per share in the previous year, represents a decrease of approximately 12%. Since net rental income was up approximately 8%, it is evident that the decrease in net income is due to a decrease in net income from sales of land of $409,578 or 8.5¢ per share.

The only lands owned by the Company for development at the present time are in Erin Mills and, accordingly, no land sales were made during the year.

The Company has followed a policy of taking into income, profits on sales of land only as cash is received under agreements of sale and mortgages. As a result of this policy, at October 31, 1969, income from sales of land which was deferred to subsequent fiscal periods amounted to $1,258,776.

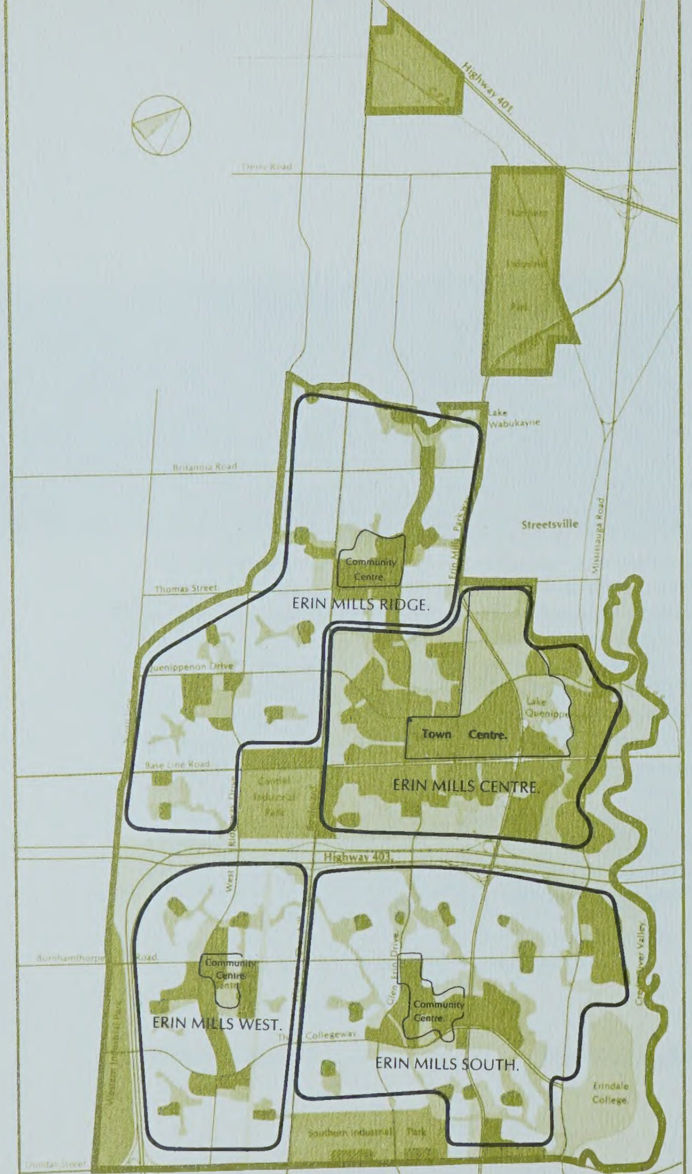
The Ontario Securities Commission recently issued a statement of policy on disclosure of profits in real estate transactions. Canadian Equity has always followed a practice of determining income which more than meets the criteria outlined by the Commission. Accordingly, no changes are required in our financial reporting.

As announced in our second Quarterly Statement, for 1969, your Board of Directors decided to forego declaration of dividends in the immediate future in the light of the imminence of the Erin Mills development and the need to conserve working capital for the development of these lands.

In closing, I would like to thank the members of the Board for their counsel and guidance, and the members of management and staff who played no small part in making 1969 a good year for our Company.

March 16, 1970

A. E. Diamond, *President*



NOTE: Don Mills owns approximately 80% of the lands within the areas outlined above.

Erin Mills "New Town" will offer a truly balanced environment to fill the needs of all kinds of people in this the most highly populated region in Canada. It is designed to bring to its residents a superior range of urban experiences with special care being given to maximizing the natural beauty of the surroundings; creating a rich economic, cultural and social life; and providing a high degree of comfort and efficiency. How this will be brought about can best be explained by a statement of several straightforward development objectives:

- To enhance the attractiveness of the community and its surroundings by exploiting their unique identifiable characteristics.
- To establish a strong functional and physical relationship between places of residence and places of work.
- To create a strong and active town centre as the hub of the economic, cultural and social life of the community.
- To arrange the principal elements of the community around its major transportation routes so as to maximize the efficiency, comfort and safety of the daily travel experience.
- To accommodate a broad economic and social cross-section of the general population by providing a complete range of dwelling types and a wide range of physical and social facilities.
- To provide for flexibility in the growth pattern of the town and in the operation of its major functional elements so as to respond to unanticipated and changing circumstances.
- And finally to organize the growth cycle of the town so as to forestall a sense of isolation and sustain the sense of community on which the viability of the new town concept largely depends.

ERIN MILLS "NEW TOWN"

DEVELOPMENT PROPOSALS

In the Annual Report for 1968, some background information was provided on Erin Mills "New Town", and you were introduced to key planning consultants working on this development.

There is presently an Official Plan providing for urban development of the Erin Mills lands in the Town of Mississauga. The amendments to the Official Plan to give effect to our planning proposals have been approved by the Town of Mississauga, and are before the Department of Municipal Affairs of the Province of Ontario for final approval. It is the intention of Don Mills Developments Limited to proceed immediately with the development program as and when final approvals are given by the government authorities and to carry out this development at a rate which is compatible with the natural growth of the region.

Before servicing and construction in Erin Mills can begin, certain steps are required:

(1) Approval of the Official Plan Amendment by the Minister of Municipal Affairs for the Province of Ontario, and concurrently, and as a part of this approval, a Community Plan for the first phase of Erin Mills.

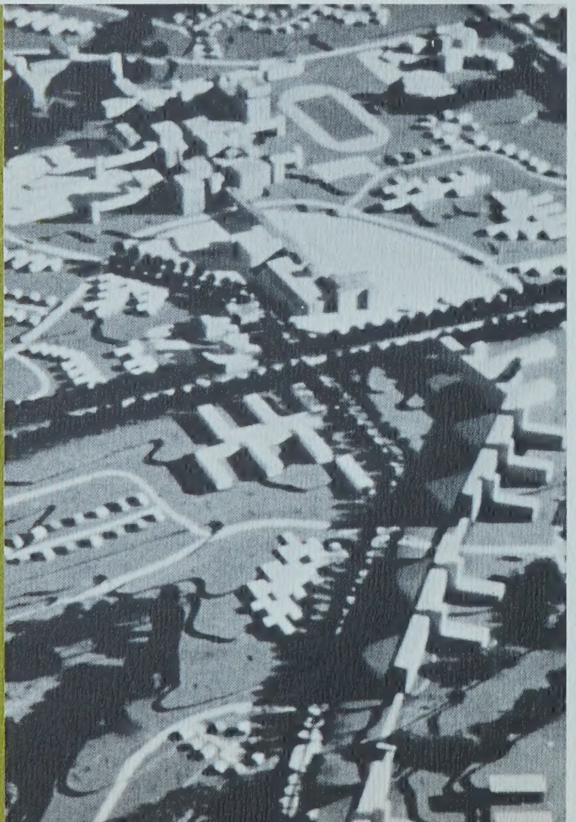
(2) A Draft Plan of Subdivision, covering the first phase of the development, has already been submitted to the Minister and to the Municipality. Processing of this Draft Plan through the Municipality will proceed while the Official Plan is being processed through the Provincial agencies.

(3) After the Draft Plan of Subdivision has been approved, the Company will proceed with the Municipality to register specific Plans of Subdivision according to its staging program within the area of the draft plan.

Additional Communtiy Plans and Draft Plans of Subdivision will be subsequently prepared and submitted for approval to ensure a program of continuous development.

The residential area of the town will be organized into four communities: Erin Mills South (which will constitute the first Communtiy Plan), Erin Mills Centre, Erin Mills West and Erin Mills Ridge. Each of these communities is designed to be self-sufficient for day-to-day living — although each will be organically linked with the other Erin Mills communities, and the Metropolitan areas of Hamilton and Toronto. Within each community will be a series of residential neighbourhoods focussed around a central complex of shopping and education. Within this complex, land will be provided for religious, cultural, recreational and park facilities. The medium and higher density housing in turn will be in close proximity to this central complex.

Erin Mills South will be the first of the four communities to be developed and will be physically related to the campus of Erindale College at the south-eastern corner of the community. It will have a total area of about 2,350 acres, approximately 70% of which is Company-owned land with an ultimate population of about 53,000 persons in 10 residential neighbourhoods.



Development of Erin Mills South will begin as soon as the necessary plans have been approved and the development should be substantially completed within five to seven years. When the residential development in Erin Mills South begins, the development of two industrial parks will also commence in order to attain both an adequate tax base for the Municipality and to create employment opportunities for the residents.

The eastern portion of Erin Mills Ridge should be developed within 10 years, and Erin Mills Centre and Erin Mills West within about 15 years. The western part of Erin Mills Ridge would be the last area to receive trunk services. Each phase of development will be scheduled to avoid any sense of isolation and to sustain a sense of community.

Erin Mills Centre, covering an area well over 400 acres, will constitute the heart of the new town. The Central Park of about 100 acres, and Lake Quenippenon of about 35 acres, will provide an open setting for the institutional, cultural and recreational elements of the Town Centre which will be designed to accommodate an art gallery and museum, a stadium and a 40-acre hospital campus site.

The commercial focal point of the Town Centre will be a core consisting of a 90-acre regional shopping centre with approximately 1,000,000 square feet of commercial sales area, a 50-acre office building campus, and a 20-acre hotel and entertainment complex overlooking the lake. Most of the dwellings in Erin Mills Centre will be within 2,000 feet of the Town Centre to permit walking convenience to all major facilities. Erin Mills Centre and the Town Centre will symbolize the new town and give it its essential identity.

Design quality will be ensured through covenants in the sale of land and through selectivity in sales to builders, who have a proven capacity in design and performance.

New directions in education have had considerable influence in plans for the new town. At the neighbourhood level, elementary schools are located within a safe walking distance for younger children. At the community level, junior and senior elementary schools and secondary and parochial schools are focussed in an educational campus. The grouping of educational buildings within a campus will permit flexibility in the field of progressive education and may, if desired, lead to a less structured school program. This concept also takes into account the expectation that there will be increasing demand on the part of the adult population for access to the school plant both for learning purposes and for cultural or recreational pursuits.

Don Mills intends to offer commercial television cable service to every dwelling in the town. Subject to the co-operation of the appropriate authorities, it will be integrated with a complete educational network. This network will allow educational programs originating from outside of Erin Mills as well as Erindale College, the hospital and a special high school to be received by the schools, libraries and each dwelling.

Another innovative concept that is planned involves the intended provision of a number of church campuses in which the facilities of different denominations may be grouped on 3 to 6 acre sites at each community sub-centre.

The church campus concept allows a cost-sharing of various facilities with a common use, thus reducing the capital investment of the participating congregation and accelerating the construction of the required facilities.

From the outset, care will be taken to preserve the area's existing beauty, and to secure a high standard of design in all construction. Special attention will be given to the preservation of major tree stands and several other lesser stands as an integral part of the physical structure of Erin Mills. Additionally, landscaping policies will be tree-oriented; the Company will provide trees for residential and industrial boulevards.

Parkland and other public open space comprise approximately 750 acres of the total area of Erin Mills "New Town". Landscaped pedestrian walkways will link open spaces where topography permits. Similar pathways suitable for pedestrian and bicycle use will be provided along the open water-courses which will be kept in their natural state for storm drainage.

The retail commercial system is organized to provide appropriate degrees of service with four levels of shopping facilities: the regional shopping centre at the core of the Town Centre to serve the needs of an ultimate regional population anticipated to be in the order of 300,000 persons,

three community shopping centres ranging in size up to 25 acres, a dozen neighbourhood shopping centres occupying sites of 3 to 7 acres, and numerous convenience shops to function in the manner of traditional "corner stores". These services will be integrated with the development of each community as required to meet the needs of the residents.

New to Canada will be a major commercial feature of Erin Mills, an Auto-Campus located in Erin Mills South on Highway No. 5 (Dundas St.). This will consist of a concentration of various automobile dealerships and auto service functions as well as dining and resting facilities. Just as major department stores have found it advantageous to be located near one another, so in the U.S. several auto centres have proven successful. The basic principle is customer convenience. Ample free parking and one-stop comparison shopping in an attractive setting combine magnetically: one U.S. centre surveyed indicated that some customers came from 100 miles away.

Great interest has been displayed in the Auto Campus by North American car manufacturers and major importers. The first dealership location has already been committed for and development of the campus is expected to commence shortly after the first housing phase begins in Erin Mills South.

Don Mills intends to retain ownership of commercial lands, i.e. shopping centre and service station sites, and intends to develop upon the shopping centre lands all the retail commercial facilities required by Erin Mills, and retain same in its income-producing portfolio. Service station sites will be leased to the oil companies for their own development.

Erin Mills will benefit from certain existing trends:

- The urban corridor between Metropolitan Toronto and Hamilton has historically represented a main direction of growth from Toronto. (The proposed Highway 403 will provide a direct connection from the Queen Elizabeth Way to Highway 401 west of the new Highway 27 interchange.)
- Since 1965, Mississauga has grown by 70%. The metropolitan regional poulation is expected to grow from $2\frac{1}{2}$ to nearly 4 million in the next 20 years.
- The area is already heavily industrialized.
- No large regional shopping centres presently exist in the area.

Timing of the development of the various phases of Erin Mills "New Town" is necessarily only an estimate and is subject to variation if circumstances change. However, we have every reason to believe that development of the first phase (Erin Mills South and the two industrial parks) will proceed according to schedule.

Although the basic principles outlined are expected to govern the development of Erin Mills "New Town", the timing of development and future changes in planning philosophy related to urban development may require some modifications to these guidelines as circumstances warrant.

We expect that development of Erin Mills "New Town" will make a substantial contribution to the growth of this important Southern Ontario region as well as set high standards in the urban environment.

INDUSTRIAL MARKETING

In anticipation of official approval and start-date, a multi-faceted Industrial Marketing program has been developed and is already underway.

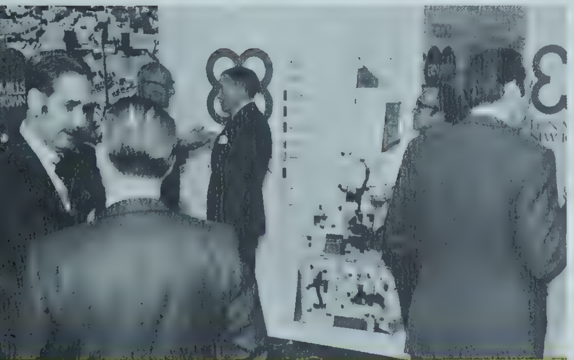
As part of this program a slide presentation, electronically-synchronized with a taped narration, has been produced.

First introduced in the fall of 1969, it was hailed the outstanding exhibit at the annual convention of the Canadian Association of Real Estate Boards in Toronto. More than 1200 members of the real estate fraternity from all parts of Canada and the U.S. visited the display.

This highly portable audio-visual sales kit has since been used effectively to introduce Erin Mills "New Town" to senior executives of a number of national and international companies.

Initial communication has now been made with many hundreds of firms throughout Canada and the major industrial areas of the U.S. to determine the degree of interest in Erin Mills "New Town" as a new industrial location.

Results have been extremely encouraging. Negotiations are proceeding favourably with a number of prospective users of various sized plants.



In 1969, the commencement of the industrial marketing program for Erin Mills, we realized the need or a versatile corporate symbol, or logogram, which would quickly and appropriately identify this community.

Here you see the outcome of our search. Some of the concepts it contains or embodies are . . . 4 interlocking communities well connected with roads . . . a flower . . . the green of a tree-oriented community . . . a rather subtle combination of the letters E and M.

Its use was inaugurated in our exhibit at the Canadian Association of Real Estate Boards convention, in printed material and in our site identification signs.

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED
AND SUBSIDIARY COMPANY

ASSETS	1969	1968
Cash	$ 274,268	$ 2,940,173
Mortgages and accounts receivable (Note 2)	2,371,145	3,872,439
Income taxes recoverable	49,465	—
Properties under development (Notes 3 and 6)	17,214,217	8,590,318
Income producing properties less accumulated depreciation of $1,808,415; 1968 — $1,575,304 (Notes 4 and 7)	16,605,850	16,843,027
Investments in affiliated companies (Note 5)	710,500	825,500
Prepaid expenses and sundry assets	133,069	125,650
Debenture discount and financing expenses less amortization	989,846	1,069,283
	$38,348,360	[illegible]

On behalf of the Board

A. E. Diamond, *Director*

D. W. Naylor, *Director*

CONSOLIDATED BALANCE SHEET

OCTOBER 31, 1969

(with ~~comparative~~ figures for 1968)

LIABILITIES	1969	1968
Accounts payable	$ 560,242	$ 462,666
Income taxes	—	742,692
Prepaid rental income	241,492	216,230
Mortgages on properties under development (Note 6)	5,191,876	25,250
Mortgages on income producing properties (Note 7)	6,302,127	6,717,886
$6^1/_2$% Secured Sinking Fund Debentures Series A (Note 8)	5,536,000	5,712,000
	17,831,737	13,876,724
Deferred income taxes (Note 9)	1,043,000	350,000
Deferred income from sales of properties (Note 10)	1,258,776	2,298,416
	20,133,513	16,525,140
SHAREHOLDERS' EQUITY		
Capital Stock (Note 11)		
Common shares		
Authorized — 6,500,000 common shares without par value		
Issued and fully paid — 4,796,850 shares; 1968 — 4,793,850 shares	6,877,575	6,868,575
Excess of appraised value of income producing properties over depreciated cost (Notes 4 and 12)	5,179,490	5,182,965
Retained earnings	6,157,782	5,689,710
	18,214,847	17,741,250
	$38,348,360	$34,266,390

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED OCTOBER 31, 1969

(with comparative figures for 1968)

	1969	1968
RENTAL INCOME	**$2,576,538**	**$2,494,868**
Property operating expenses	744,781	728,554
Mortgage interest	427,572	452,462
Depreciation (Note 4)	245,651	243,027
	1,418,004	1,424,043
NET RENTAL INCOME	**1,158,534**	**1,070,825**
Sales of land	—	[illegible]
Cost of land sales	—	299,727
	—	1,128,698
Less amount deferred (Note 10)	—	662,994
	—	465,704
Earned portion of deferred income from sales of land in prior years (Note 10)	1,039,640	983,514
NET INCOME FROM SALES OF LAND	**1,039,640**	**1,449,218**
INTEREST AND SUNDRY INCOME	**304,853**	**350,490**
EXPENSES		
General and administrative	193,609	180,543
Amortization of debenture discount and financing expenses (net of discount on debentures purchased)	43,437	72,050
	237,046	252,593
INCOME FROM OPERATIONS	**2,265,981**	**2,617,940**
Income taxes payable	533,000	1,078,700
Deferred income taxes (Note 9)	693,000	350,000
	1,226,000	1,428,700
NET INCOME	**$1,039,981**	**$1,189,240**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED OCTOBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance — beginning of year	$5,689,710	$4,433,628
Net income for the year	1,039,981	1,189,240
Realization of appraisals (Note 12)	3,475	20,238
Transfer from "excess of book value of net assets of subsidiary over stated value of shares issued therefor"	—	666,490
	6,733,166	6,309,596
Dividends	575,384	619,886
Balance — end of year	$6,157,782	$5,689,710

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF CASH

YEAR ENDED OCTOBER 31, 1969
(with comparative figures for 1968)

SOURCE OF CASH	1969	1968
Operations		
Net income	$1,039,981	$1,189,240
Add: charges not requiring cash outlay		
Depreciation (including $4,419 charged to general and administrative expenses in 1969)	250,070	243,027
Amortization of debenture discount and financing expenses net after discount of $36,000 (1968 — $32,250) on debentures purchased	43,437	72,050
Deferred income taxes	693,000	350,000
Total from operations	2,026,488	1,854,317
Collections of mortgages and accounts receivable of $1,501,294 (1968 — $1,534,058) less decrease in deferred income from sales of properties of $1,039,640 (1968 — $320,520)	461,654	1,213,538
Proceeds from exercise of options for common shares (Note 11)	9,000	238,300
Receipts of investments in affiliated companies	115,000	40,000
Increase in mortgages on properties under development less principal repayments of $97,209 (1968 — $250)	5,166,626	25,250
Decrease (increase) in cash	2,665,905	(2,182,783)
	$10,444,673	**$1,188,622**
APPLICATION OF CASH		
Increase in properties under development	$8,623,899	$ 193,470
Increase in income producing properties	12,893	78,944
Principal repayments of mortgages on income producing properties	415,759	388,034
Purchase of 6½% Secured Sinking Fund Debentures Series A (Principal amount $176,000; 1968 — $188,000)	140,000	155,750
Dividends	575,384	619,886
Decrease in other liabilities plus increase in other assets	676,738	(247,462)
	$10,444,673	**$1,188,622**

AUDITORS' REPORT

THE SHAREHOLDERS,

Canadian Equity & Development
Company Limited.

We have examined the consolidated balance sheet of Canadian Equity & Development Company Limited and its subsidiary company as at October 31, 1969 and the consolidated statements of income, retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

TOUCHE ROSS & CO.
CHARTERED ACCOUNTANTS.

Toronto, Ontario,
February 5, 1970.

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

AND SUBSIDIARY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1969

1. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Don Mills Developments Limited.

2. MORTGAGES AND ACCOUNTS RECEIVABLE

These consist principally of balances due from sales of land which balances are secured by agreements of purchase and sale or mortgages taken back and are receivable approximately as follows:

Years ending October 31, 1970	$ 814,500
1971	864,000
1972	281,500
1973	87,000
Subsequent to October 31, 1973	324,145
	$2,371,145

The agreements of purchase and sale and the mortgages provide for earlier payment in the event that development takes place prior to the maturity dates.

3. PROPERTIES UNDER DEVELOPMENT

These consist of the Erin Mills lands at cost. The Company has adopted the policy of capitalizing as costs of these properties the planning and development costs, interest, realty taxes and other carrying charges (net of rental revenue) directly attributable to the said lands, including the interest on the Series A Debentures.

4. INCOME PRODUCING PROPERTIES

These consist of three shopping centres, a combined commercial-apartment complex and in addition, several parcels of land leased to others. The properties are stated on the basis of cost except in the case of certain properties appraised in 1962 and 1963 which are stated at $5,179,490 in excess of depreciated cost. The Company has adopted the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, is charged to income so as to fully depreciate the shopping centres over a forty year period and the commercial-apartment complex over a fifty year period.

5. INVESTMENTS IN AFFILIATED COMPANIES

These investments, amounting to 50% interests in two companies which own income producing properties, consist of shares and debentures or notes receivable, and are carried at cost. No recognition has been made for the excess of the underlying value of the Company's equity in these companies over the cost of the investments. At October 31, the equity as shown by the books of these affiliates exceeded the cost of the Company's investments by $264,500 (1968-$195,000).

6. MORTGAGES ON PROPERTIES UNDER DEVELOPMENT

The properties under development are subject to mortgages which bear interest at an average rate of 7.9% per annum and are repayable as to principal approximately as follows:

Years ending October 31, 1970	$ 217,500
1971	162,500
1972	400,500
1973	520,000
1974	2,661,500
1975	69,000
1976	143,000
1977	249,500
1978	138,000
1979	507,500
Subsequent to October 31, 1979	122,876
	$5,191,876

7. MORTGAGES ON INCOME PRODUCING PROPERTIES

The income producing properties are subject to mortgages which bear interest at an average rate of 6.7% per annum and are repayable as to principal approximately as follows:

Years ending October 31,	1970	$ 336,000
	1971	321,500
	1972	342,000
	1973	353,500
	1974	365,500
	1975	390,000
	1976	415,500
	1977	406,500
	1978	216,000
	1979	223,000
Subsequent to October 31, 1979		2,932,627
		$6,302,127

8. $6^{1}/_{2}\%$ SECURED SINKING FUND DEBENTURES SERIES A

The trust deed under which the Series A Debentures were issued provides for the establishment of a sinking fund to retire $100,000 principal amount of Series A Debentures on February 15, 1970 and $130,000 principal amount thereof on February 15 in each of the years 1971 to 1990 inclusive. The balance of principal is due February 15, 1991. The Series A Debentures are secured by a first fixed and specific mortgage on the Erin Mills lands and, subject to certain prior encumbrances, a fixed and specific mortgage on the income producing properties.

Provisions of the trust deed restrict payment or distribution by way of dividends, redemption of shares, reduction of capital or otherwise except out of the "consolidated net earnings available for dividends" (as defined in the trust deed) earned subsequent to October 31, 1965 plus the net cash proceeds to the Company of the issue after such date of any of its shares. The Series A Debentures are redeemable at the option of the Company at varying premiums to maturity. At the present time the premium is $5^{1}/_{4}\%$ and it decreases at the rate of $^{1}/_{4}$ of 1% per annum.

9. INCOME TAXES

The Company follows the policy of claiming for income tax purposes certain charges which have been capitalized as costs of properties under development (Note 3) and capital cost allowances on income producing properties in excess of recorded depreciation.

Prior to the year ended October 31, 1968 the Company followed the taxes payable method of accounting for income taxes and it did not record deferred income taxes on the excess of income reported for financial statement purposes over taxable income. As at November 1, 1967 the Company changed to the tax allocation method of accounting for income taxes. At October 31, 1969 the unrecorded portion of deferred income taxes applicable to the prior years amounts to approximately $950,000.

10. DEFERRED INCOME FROM SALES OF PROPERTIES

Income resulting from sales of properties where the unpaid balances of the purchase prices are secured by mortgages or agreements of purchase and sale is deferred for both accounting and income tax purposes and recorded on the basis of the cash instalments received during the year.

11. CAPITAL STOCK

3,000 common shares were issued during the year for a consideration of $9,000 as a result of the exercise of an option held by a director of the Company to purchase common shares at a price of $3.00 per share. 6,000 common shares are currently reserved in respect of this option, exercisable at the rate of not more than 3,000 shares each year, the option expiring on October 21, 1975. 44,000 common shares are reserved and may, in the discretion of the directors of the Company, be used to grant options to employees of the Company.

12. EXCESS OF APPRAISED VALUE OF INCOME PRODUCING PROPERTIES OVER DEPRECIATED COST

Balance — November 1,	$5,182,965
Deduct — Annual depreciation provision	3,475
Balance — October 31,	$5,179,490

13. LEASE OBLIGATIONS

The subsidiary is the lessee under a ground lease which has an unexpired term of 116 years and provides for an annual rental of $63,375 until 1999 after which time the annual rental is subject to negotiation.


Don Mills Shopping Centre


Parkwoods Village S.C.

INCOME PRODUCING PROPERTIES


The Towne

DON MILLS DEVELOPMENTS LIMITED

Total rental income in 1969 was $81,670 or 3.3% higher than 1968. Direct operating expenses increased by $16,227 or 2.2%.

"The Towne", a complex of retail stores, office space and 185 residential units was honoured in 1969 with a National Design Award by the Canadian Housing Design Council "in recognition of the contribution to the improvement of housing design in Canada . . .". This development with a low vacancy factor during the year showed a substantial improvement over 1968.

Rental income from Don Mills, Parkwoods Village and York Mills shopping centres increased by $50,021 over the previous year. This increased income was due mainly to greater percentage rents as sales volume in the shopping centres increased by 8.5% in 1969.

GREATER HAMILTON SHOPPING CENTRE LIMITED*

Your Company has a 50% share interest in Greater Hamilton Shopping Centre Limited which owns a 47 acre regional shopping centre forming part of a large shopping complex situated in Hamilton, Ontario.

The Centre had a satisfactory year and Greater Hamilton's net income for 1969 increased 3.5% over the preceding year.

ALDON DEVELOPMENTS LIMITED*

Your Company also has a 50% share interest in Aldon Developments Limited with the other 50% share interest owned by Dominion Stores Limited.

Aldon owns neighbourhood shopping centres in Brampton and Scarborough, Ontario as well as commercial land which is held for investment and leased under long-term leases to several tenants.

Aldon's net income for the year was 16.8% higher than the previous year.

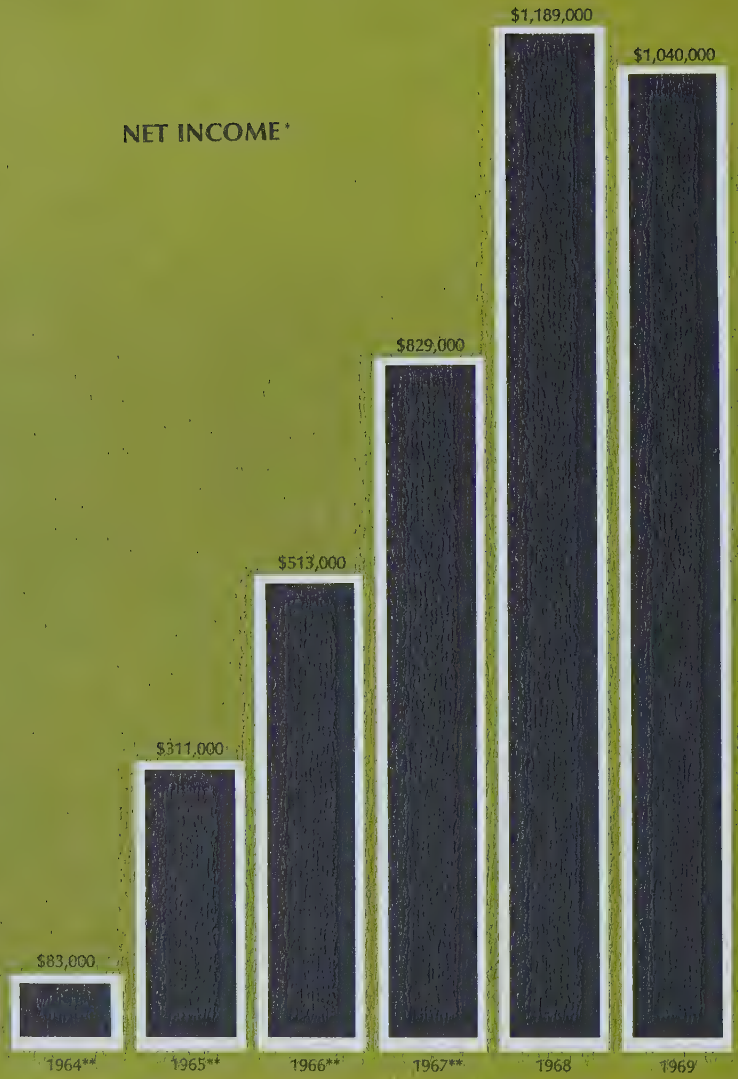
*Your Company's share of the net income from these companies during 1969 amounted to approximately $79,000 compared with approximately $75,000 in 1968. This net income is not reflected in the consolidated financial statements.

York Mills Shopping Centre

Greater Hamilton S.C.

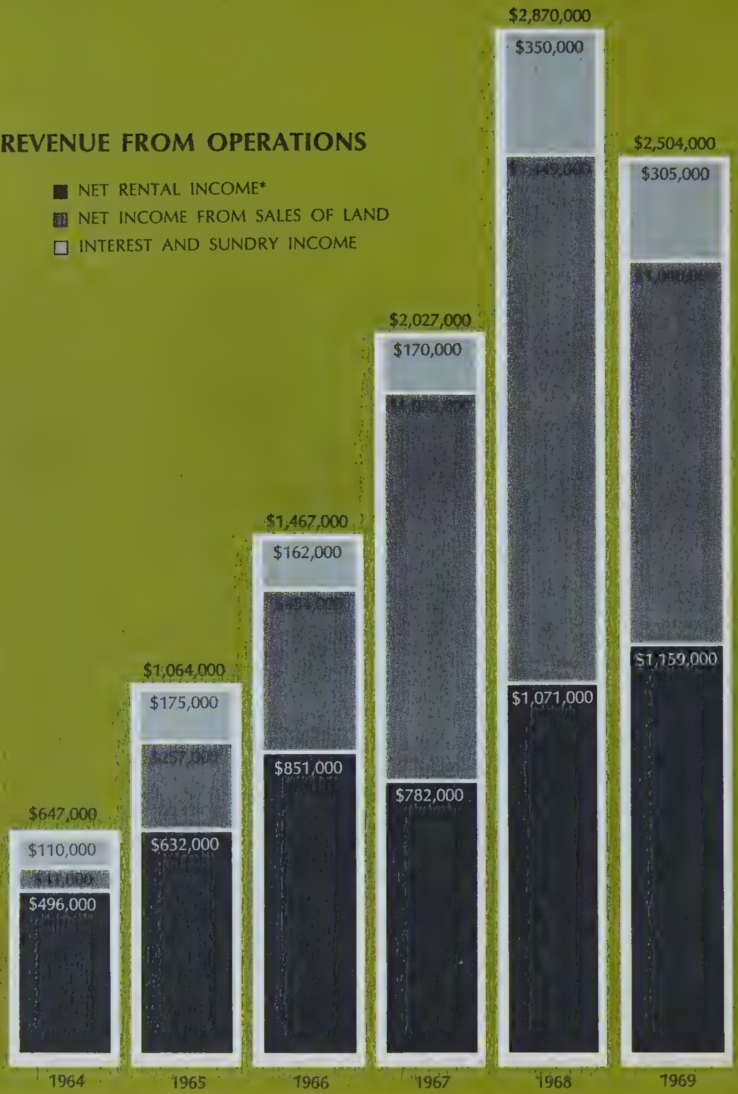
Victoria Park Mall

NET INCOME*



** The net income for the four years ended October 31, 1964 to 1967 inclusive, reflects the results from operation had deferred income taxes been recorded in the accounts and had the policies adopted by the Company commencing with the fiscal year ended October 31, 1968 with respect to capitalized costs and depreciation been in effect.

REVENUE FROM OPERATIONS



* Excluding the Company's 50% interest in the income of Greater Hamilton Shopping Centre Limited and Aldon Developments Limited.

CANADIAN EQUITY
& DEVELOPMENT COMPANY LIMITED
and Subsidiary Company

Consolidated Statement of Source and Application of Cash

Six Months Ended April 30, 1969

SOURCE OF CASH	
Operations	
Net income	$ 460,675
Add: Charges not requiring cash outlay	
Deferred income taxes	302,000
Depreciation	124,700
Amortization of debenture discount and financing expenses before discount on debentures purchased	42,704
Total From Operations	930,079
Collections of accounts and mortgages receivable of $502,517 less decrease in deferred income from sales of properties of $285,956	216,561
Proceeds on exercise by employees of options for common shares	9,000
Mortgages on properties under development	4,377,785
Increase in other liabilities and decrease in other assets	97,538
	$5,630,963
APPLICATION OF CASH	
Increase in properties under development	6,544,231
Increase in income producing properties	32,461
Decrease in income taxes payable	584,339
Repayment of mortgage principal	213,651
Purchase of 6½% Secured Sinking Fund Debentures Series A	100,000
Dividends	383,508
Decrease in cash	(2,227,227)
	$5,630,963

NOTE: This statement is subject to year end adjustment and audit.

CANADIAN EQUITY
& DEVELOPMENT COMPANY LIMITED

INTERIM REPORT
TO SHAREHOLDERS

SIX MONTHS, ENDED APRIL 30th, 1969

CANADIAN EQUITY
& DEVELOPMENT COMPANY LIMITED

President's Report to the Shareholders

for the Six Months Ended April 30, 1969.

Operations

Consolidated net income of your Company was $460,675 (9.6¢ per share) compared with $531,413 (11.1¢) for the corresponding period a year ago.

There were slight increases in gross and net rental incomes for the six months ended April 30, 1969 as compared to the previous year.

No land sales were made during the first six months of this year but $284,648 was taken into income on sales made in previous fiscal periods. Your Company follows the policy of taking into income profits on sales of properties only as cash is received under agreements of sale and mortgages. At April 30, 1969, profits on property sales which were deferred to subsequent fiscal periods amounted to $2,012,460.

Erin Mills

On April 25th, 1969 our proposal for the land use planning of Erin Mills was presented to the officials of the Province and the Towns of Mississauga, Streetsville and Oakville and other agencies which might have an interest in our development. There is presently an official plan covering the area of the Erin Mills lands. Some amendments are required to give effect to our planning proposals and these amendments are currently before the Town of Mississauga for their consideration.

During the six months under review, your Company has purchased additional land in Erin Mills. The acreage now owned in the Towns of Mississauga and Oakville has been increased approximately 10% since October 31, 1968.

Dividends

In the light of the imminence of the Erin Mills development and the need to conserve working capital for the development of these lands, your Board of Directors, on May 28th—while declaring a four cents (4¢) dividend on common shares—decided to forgo declaration of dividends in the immediate future.

Yours very truly

A. E. Diamond
President

CANADIAN EQUITY
& DEVELOPMENT COMPANY LIMITED
and Subsidiary Company

Consolidated Statement of Income

Six Months Ended April 30, 1969 & 1968

	1969	1968
Rental Income	$1,358,408	$1,319,003
Property operating expenses	397,098	350,683
Mortgage interest	216,269	229,644
Depreciation	124,700	121,462
	738,067	701,789
Net Rental Income	620,341	617,214
Sales of land	—	987,616
Cost of land sales	—	138,075
	—	849,541
Less amount deferred	—	663,148
	—	186,393
Earned portion of deferred income from sales of land in prior years	284,648	322,602
Net Income from Sales of Land	284,648	508,995
Interest and Sundry Income	184,447	158,717
Expenses		
General and administrative	78,657	109,213
Amortization of debenture discount and financing expenses (net of discount on debentures purchased)	25,704	35,300
	104,361	144,513
Income From Operations	985,075	1,140,413
Taxes payable	222,400	383,000
Deferred income taxes	302,000	226,000
	524,400	609,000
Net Income	$ 460,675	$ 531,413

NOTE: This statement is subject to year end adjustment and audit.

cont'd →